Suppliers' Control over Category Management in Finnish and Swedish Supplier–Retailer Relationships

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Abstract

The present study analyses suppliers' control over category management (CM) in Finnish and Swedish supplier–retailer relationships. The study addresses: (i) the suppliers' ability to control the tactics of CM; and (ii) the origins of this control. Based on the literature on CM and sources of power, a four-page self-administered questionnaire is used to conduct a quantitative survey among 90 Finnish and 116 Swedish representatives of suppliers of fast-moving consumer goods. The study reveals that both Finnish and Swedish suppliers believe that retailers are clearly in charge of CM tactics; however, large suppliers are perceived to have some control over CM decision-making in both countries. Suppliers apparently have most influence over in-store promotions and least influence over pricing. In the Finnish context, the extent of power seems to be dependent on the market position of a given supplier, whereas in the Swedish context the suppliers' market position did not seem to affect the extent of control. According to both Finnish and Swedish suppliers, the most important origins of control over CM tactics were non-coercive in nature—that is, they were based on referent power and expert power. The study suggests that suppliers who wish to gain some control over CM tactics should base their interaction with retailers on expertise and issues related to referent power bases.

Keywords: category management, supplier–retailer relationships, power

Article type: Research paper

1. Introduction

In recent years, logistics and marketing researchers have promoted efficient consumer response (ECR) as a significant strategic initiative within the retailing industry. ECR is a customer-oriented value-adding management strategy for a grocery supply chain. The essence of ECR is that trading partners work together to increase value to the consumer (Corsten & Kumar, 2005). It seeks to achieve this by redesigning business processes throughout the supply chain and eliminating those that lead to inefficiency. ECR thus challenges many existing approaches, attitudes, and paradigms.

The best-known business process of ECR is category management (CM) (Dewsnap & Hart, 2004; Gruen & Shah, 2000). CM, which involves managing product categories as business units and customising them on a store-by-store basis to satisfy customer needs (Nielsen, 1992), has been said to lead to improved sales and profits, more efficient promotions, more efficient use of space, and demographically targeted promotions (Kurnia & Johnston, 2003). This achieved through specific CM tactics, including: (i) assortment planning; (ii) pricing; (iii) space allocation; and (iv) in-store promotional activity (Nielsen, 1992; Gruen & Shah, 2000). Retailers are generally assumed to be in charge of these four areas of CM decision-making.

CM can thus be characterised as a ‘demand-side’ strategy for ECR. It allows a retailer and its suppliers to achieve significant cost savings through effective, consumer-oriented marketing and merchandising practices (Dupre & Gruen, 2004; Kurnia & Johnston, 2003). According to Dewsnap and Hart (2004), who undertook a comprehensive review of the extant literature on CM, the strategy forms a platform for sustainable competitive advantage based on the ability to market the right products in the right way to meet the fast-changing needs of a complex consumer market.

The most distinctive characteristic of CM is that suppliers and retailers collaborate to institute strategies and operations for specific *product categories*, rather than *individual brands* (Araujo & Mouzas, 1998; Dupre & Gruen, 2004). CM thus focuses management resources on the retailers’ categories, rather than on the suppliers’ brands. This means that retailers and suppliers have to replace their traditional organisational structures with a new *collaborative* structure that integrates category functions and decisions (Christopher, 2005; Nielsen, 1992).

This emphasis on the collaborative nature of CM has meant that the scholarly discourse on the CM strategy has largely neglected the concept of *power*—despite the fact that the notion of power has long been a central element in distribution-channel discourse in general. This is probably because power is often perceived to be the antithesis of collaboration; indeed, power is often understood as the ability of one actor to punish another for non-compliance. However, it is the contention of the present study that such an understanding of power is too narrow. As Dapiran & Hogarth-Scott (2003) have observed, the concept of power is not necessarily opposed to the notion of cooperation.

The purpose of present study is, therefore, to analyse the power of suppliers in CM in the context of Finnish and Swedish supplier–retailer relationships. The study addresses: (i) the suppliers' power to control the tactics of CM; and (ii) the origins of this power. In particular, the study focuses on the question of whether a supplier's power over CM tactics is dependent on its size in terms of market share in a product category. In this regard, Desrochers et al. (2003) have asserted that large suppliers are likely to take significant responsibility for CM decision-making whereas smaller suppliers are likely to be largely excluded from CM collaboration. In both Finland and Sweden, these matters are of topical importance because large retailers have taken a strong position in supply chains for fast-moving consumer goods (Lindblom, 2003). Power over the tactics of CM noted above is therefore crucial for suppliers—because the success of their brands depends on brand availability in stores. In this regard, Howe (1998) has noted that suppliers of major fast-moving consumer goods now devote considerable managerial resources to winning the battle for the shelf-space of retailers. The present study addresses pertinent aspects of this battle. Moreover, during the last few years CM has aroused lot of attention among practitioners in Finland and Sweden. With the growth of interest in CM, numerous reports and guides to best practice have been published in both countries. However, academic research on CM has remained scant. In addition, the comparative nature of this study allows us to explore the suppliers' control over CM tactics within countries with similar retail structure. (see e.g. Lindblom, 2003).

The remainder of this paper is arranged as follows. Following this introduction, the paper presents a literature review and conceptual framework of: (i) the notion of 'power' and its origins; and (ii) the application of these concepts in CM. The paper then presents the methodology of the empirical study. This is followed by a presentation of the results. The conclusions and implications of the study are then discussed. Finally, the paper acknowledges the limitations of the study and the possibilities for future research in this important area.

2. Literature review and conceptual framework

2.1 Power and its origins

The concept of power has received considerable scholarly attention within the general field of distribution-channel research. The study of social power began with investigations of the sources of power (French & Raven, 1959) and the attributions of power (El-Ansary & Stern, 1972; Etgar, 1976; Hunt & Nevin, 1974). Later researchers have moved on to other issues—such as the exercise of social power in channel relationships (Gaski, 1986; Gaski & Nevin, 1985) and how channel members operationalise various sources of power in terms of influence strategies (Frazier, 1983).

The present study uses the term 'power' to refer to the capacity of a particular channel member to control the decisions of another in a given channel at a different level of distribution (Stern & El-Ansary, 1982). According to Dapiran and Hogarth-Scott (2003), control can be direct or indirect. Direct control refers to a coercive, commanding influence that produces overt compliance by the influenced party; this compliant behaviour is likely to include certain negative sentiments. In contrast, indirect control refers to a non-coercive influence that reflects the internalised norms and values of the influenced party; the compliant behaviour of the influenced party in these circumstances is likely to include positive and cooperative sentiments.

The capacity to exercise power is a product of social relationships, rather than being an attribute of a particular social actor. It is thus inappropriate to say that a particular firm is 'powerful'; rather, it should be said that a given firm has power over another in a particular context. The set of firms over which a particular firm exercises power defines the *domain* of its power, but the domain of power is only one of three dimensions that jointly specify the power possessed by a firm—the other two being *weight* and *scope*. The *weight* of power refers to the degree to which the exercise of power by a firm affects the probability of another firm behaving in a certain way under certain circumstances. The *scope* of a firm's power identifies the various decision variables of the domain that can be influenced by the firm (Diamantopoulos, 1987).

Hyvönen (1990) has contended that the *nature* of power is less important than the *origins* of power. According to so-called 'power–dependence theory', dependence is the key concept in understanding the origin of power (Ogbonna and Wilkinson, 1998)—with power being posited as the inverse of the dependence of one party with respect to another (Emerson, 1962). The extent of power of one party over another is thus determined by the extent of the second party's dependence on the first for things of value (Emerson, 1962).

In contrast to this unidimensional view of power, a multi-dimensional view of the origins of power was presented by French and Raven (1959). These authors posited that each party brings certain resources to a relationship and that these resources bestow power on their holder; that is, a group of individuals controls resources that can be developed into a source of power. According to view, which has received support from Hyvönen (1990) and Hogarth-Scott and Dapiran (1997), power is derived from one channel member's control of valued and scarce resources on which another channel member is dependent. In accordance with this multidimensional view of the origins of power, French and Raven (1959) identified five types of power:

* *reward power:* based on the ability of one channel member to mediate rewards and positive outcomes, and to remove or decrease negative outcomes received by another;
* *coercive power:* based on the ability of one channel member to punish other channel members for non-compliance;
* *legitimate power:* based on the belief of one channel member that another has the right to prescribe behaviour; legitimate power has two sources: legal and traditional;
* *referent power:* based on the willingness of one channel member to be associated with another; and
* *expert power:* based on formal or specialised knowledge about particular issues within an organisation.

2.2 Power in CM

In applying these concepts to the question of power in CM arrangements, it would seem that all of these power bases could play significant roles when suppliers are aiming to increase their control over CM tactics. Dapiran and Hogarth-Scott (2003) emphasised that cooperation (that is, indirect control) comes about through the use of expert and referent power. According to this view, the use of non-coercive power strengthens exchange relationships and increases trust (Hunt & Nevin, 1974), whereas the use of coercive power weakens exchange relationships, reduces trust, and invites retaliation (Raven & Kruglanski, 1970). Hyvönen (1990) observed that coercion, reward, and (to some extent) legal legitimacy, represent resources of influence—and that effectiveness depends on overt compliance, rather than inner acceptance. In contrast to the other three types of power, referent and expert power imply a high level of attitudinal conformity.

There is a general consensus among researchers that the balance of power in relationships between retailers and suppliers has shifted in recent decades—with retailers now occupying a position of dominance (Grant, 1987; Dawson & Shaw, 1990; Ogbonna & Wilkinson, 1996, 1998; Burt & Sparks, 2003). In Finland and Sweden, retailers have certainly worked themselves into a position of dominance in contemporary distribution channels; indeed, approximately 80% of the grocery market is dominated by only three large retailing groups (in Finland, S-group, K-group, and Tradeka; in Sweden, Ahold, Axel Johnson, and Coop Norden) (Planet Retail Databank, 2006). A similar concentration of power is apparent in the retail sector of other northern and central European countries.

According to Paché (1998), these high levels of concentration give retailers more power to make independent CM decisions in deciding which brands will appear on the shelves. In a similar vein, Ogbonna and Wilkinson (1998) have pointed out that the emergence of retailers' labels on products has increased the capacity of these retailers to exert power over their suppliers. Howe (1998) agreed that retailers have significant power, but he attributed this to the retailers' increasing use of market research and their closeness to consumers—which can be used to control non-product-related variables in the marketing-mix, including in-store merchandising and shelf-space management.

3. Empirical study

3.1 Sample and data collection

The basic unit of analysis in the present study was the CM relationships between suppliers and retailers—considered from the suppliers' perspective. The objective was not to describe any particular CM relationship between a supplier and a retailer; rather, the aim was to gather the respondents' general perceptions of CM practice and the capacity of suppliers to control tactical CM decision-making. Since the objective was to describe the characteristics of suppliers' control possibilities over CM in a large population of Finnish and Swedish suppliers (i.e. to answer "what" and "how much" questions), a quantitative survey method was considered to be the most suitable research approach (see e.g., Yin, 1989; McGivern, 2006).

To gather data on these perceptions, questionnaires were sent by post to all supplier members of ECR Finland and ECR Sweden. The questionnaire was a four-page self-administered instrument covering CM and bases of power. Before distributing the questionnaire, content validity was assessed by a pre-test among six selected members of the board of ECR Finland. The objectives of the pre-test were to assess whether the questions were understood and to determine how long it took to complete the questionnaire. No unclear items were found.

A motivating and informative cover letter was attached to the questionnaire in order to improve the response rate. The number of questionnaires sent to each firm was determined by the number of product categories that the firm represented. One manager for each product category in a given company was asked to complete the questionnaire. The rationale for sending questionnaires to several managers from a given company was derived from the nature of CM itself—that is, the management of *product categories* as distinct business units (Dupre & Gruen, 2004; Araujo & Mouzas, 1998; Nielsen, 1992). Consequently, it was conceivable that a large supplier (in terms of total turnover) could be a market leader (or second largest) in some categories while simultaneously being third largest (or smaller) in some others. Similarly, a small manufacturer (in terms of total turnover) could be a market leader or the second largest in a certain category. It was therefore appropriate to analyse the relationship between suppliers and retailers in terms of separate arrangements at the *category level*, rather than analysing the overall relationships between the suppliers and the retailers. In addition, a follow-up letter was sent to the sample companies in order to raise the number of respondents.

The Finnish sample consisted of 470 managers in 90 manufacturing firms in the fast-moving consumer-goods sector. Of the 470 questionnaires sent out, 91 were returned; of these, 90 were satisfactorily completed for use in the analysis. The response rate of 19% in the Finnish sample was considered satisfactory for the present analytical purposes. The Swedish sample consisted of 705 representatives of 141 manufacturing firms in the fast-moving consumer-goods sector. Of the 705 questionnaires sent out, 120 questionnaires were returned; of these, 116 were satisfactorily completed for use in the analysis. The response rate of 16% in the Swedish sample was also considered as sufficient for the present analytical purposes.

Most respondents were from the marketing departments of supplier firms (sales managers, category and brand managers, and marketing managers). There were no significant differences between the Finnish and the Swedish respondents. Of the Finnish respondents, 52% represented market leader companies, 24% second-largest companies, and 24% third-largest (or smaller) companies in terms of market share in a category. Of the Swedish respondents, 54% represented market leader companies, 26% second-largest companies, and 20% third-largest (or smaller) companies in terms of market share in a category.

There were no statistically significant differences in the frequencies (chi-square test) or the means (*t*-test) between the early (Finnish sample, N=61; Swedish sample, N=76) and late respondents (Finnish sample, N=29; Swedish sample, N=40) (on non-response bias, see Armstrong & Overton, 1977; Lambert & Harrington, 1990; Hudson et al., 2004). Smaller suppliers were apparently not as active in responding as larger suppliers. Nevertheless, the relatively small proportion of small companies in the present study constitutes a reasonable proportion of the entire population of small CM companies in Finland and Sweden—because smaller companies are not as involved in CM activities as larger suppliers. Furthermore, as a result of mergers and acquisitions, the Finnish and Swedish fast-moving consumer-goods markets are concentrated in terms of retailers (Lindblom, 2003). The relatively small proportion of small companies in the sample does not therefore invalidate the findings of the study, although it is acknowledged that it reduces the possibility of obtaining results of high statistical significance.

3.2 Scales and analyses

The scales used in this research were developed for this study from a review of previous studies on channel relationships.

* Perceptions of *weight of control* were measured on a five-point Likert-type scale (‘extremely weak’, ‘weak’, ‘moderate’, ‘strong’, and ‘extremely strong’) against three variables (‘weight of control possessed by retailers’, ‘weight of control possessed by large suppliers in terms of market share’, and ‘weight of control possessed by small suppliers in terms of market share’). For simplicity, the five-point scale was subsequently recoded into a three-point scale (‘weak’, ‘moderate’, ‘strong’).
* Perceptions of *scope of control* were measured on a five-point Likert-type scale (‘extremely weak’, ‘weak’, ‘moderate’, ‘strong’, and ‘extremely strong’) against four variables (‘ability of respondents to control assortment planning’, ‘ability of respondents to control pricing’, ‘ability of respondents to control promotional activity’, and ‘ability of respondents to control space allocation’).
* Perceptions of *origins of power* were measured by asking respondents how they could most effectively influence retailers’ CM decisions regarding each respondent’s category. In accordance with French and Raven’s (1959) typology, power was conceptualised as (i) ‘reward power’ (5 items: ‘competitive prices’, ‘superior discounts’, ‘fair terms of trade and payment’, ‘superior financial support’, and

‘incentive system’); (ii) ‘coercive power’ (1 item: a ‘take-it-or-leave-it’ attitude); (iii) ‘legitimate power’ (3 items: ‘formal contracts’, ‘clear roles and responsibilities’, ‘market position’); (iv) ‘referent power’ (2 items: ‘superior brands’ and ‘goal congruence’); and (v) ‘expert power’ (2 items: ‘superior expertise linked to CM’ and ‘superior consumer knowledge’). Respondents’ opinions were measured on five-point Likert-type scales (‘strongly disagree’, ‘disagree’, ‘neutral’, ‘agree’, and ‘strongly agree’). For each of the five power constructs, scale scores were computed as the average of the responses to the individual items in each construct.

These measures were analysed by appropriate statistical tests—including *t*-tests, Pearson’s chi-square tests, analysis of variance (ANOVA), F-test, and Scheffé paired-comparison test.

4. Results

4.1 Weight of power

As shown in Table 1, more than 90% of Finnish suppliers and more than 80% of Swedish suppliers felt that the weight of control possessed by retailers was strong. This result is consistent with the consensus in the literature noted above (Paché, 1998; Kurnia & Johnston, 2003; Ogbonna & Wilkinson, 1998).

Take in Table 1 about here

Table 1: Suppliers’ perceptions of weight of control possessed by retailers, large suppliers, and small suppliers

However, as Table 1 also indicates, almost 70% of the Finnish suppliers and more than 60% of the Swedish suppliers considered that large suppliers (in terms of market share) possessed significant power with respect to CM decision-making. In contrast, the weight of control of small suppliers was considered to be weak in both countries.

4.2 Extent of power

As shown in Table 2, both Finnish and Swedish suppliers had most influence over in-store promotions and least influence over pricing. In the Finnish context, the extent of power was apparently dependent on the market position of the supplier; so-called ‘market leaders’ (that is, suppliers who had largest market share in the focal category) were perceived as having more control over CM tactics than smaller suppliers. However, in the Swedish context, the suppliers' market position did not appear to affect the extent of control.

Take in Table 2 about here
Table 2: Supplier's perceptions of their scope of control with respect to CM tactics

The results of an independent samples *t*-test indicated that there were no statistically significant differences in the mean scores between Finnish and Swedish suppliers with respect to the perceptions of their scope of control regarding CM tactics. Within national groups, there were no statistically significant differences among Swedish suppliers with respect to perceptions of their scope of control; in contrast, there were statistically significant differences within the Finnish suppliers. As Table 2 shows, ANOVA indicated statistically significant differences among Finnish suppliers for assortment planning ($F = 8.73$, $p = 0.00$), promotional activity ($F = 5.28$, $p = 0.00$) and space allocation ($F = 7.36$, $p = 0.00$). Individual differences with respect to the ability to provide input on each CM tactic among the three respondent groups were tested for significance using the Scheffé method. The ANOVA results linked to the *Finnish suppliers* presented in Table 2, supplemented with *post hoc* comparisons, are summarised below:

* With respect to *assortment planning*, respondents from market-leader companies (mean score 3.46) perceived their control to be significantly greater ($p = 0.05$) than did respondents from the third-largest (or smaller) companies (mean score 2.50); however, the Scheffé test showed no statistically significant difference between the market leaders and the second-largest companies; nor was there a statistically significant difference between the second-largest companies and the third-largest (or smaller) companies.
* With respect to *promotional activity*, respondents from market-leader companies perceived their control (mean score 3.59) to be significantly greater ($p = 0.05$) than did respondents from the third-largest (or smaller) companies (mean score 2.68); however, the Scheffé test showed no statistically significant difference between the market leaders and the second-largest companies; nor was there a statistically significant difference between the second-largest and the third-largest (or smaller) companies.
* With respect to *space allocation*, respondents from market-leader companies perceived their control (mean score 3.28) to be significantly greater ($p = 0.05$) than did respondents from the third-largest (or smaller) companies (mean score 2.23); however, the Scheffé test revealed no statistically significant difference between the market leaders and the second-largest companies; nor was there a statistically significant difference between the second-largest companies and the third-largest (or smaller) companies.

* With respect to *pricing*, there were no statistically significant differences in perceptions of control among respondents from market leaders, second-largest companies, and third-largest (or smaller) companies.

4.3 Origins of power

Table 3 summarises perceptions of the importance of the suppliers' various sources of power with respect to CM decision-making.

Take in Table 3 about here
Table 3: Suppliers' perceptions of the importance of various sources of power in CM decision-making

The results of the independent samples *t*-test showed that the differences in the mean scores between Finnish and Swedish suppliers were statistically significant (p = 0.05 or less) on 9 items of 13. These were: (i) superior discounts; (ii) superior financial support; (iii) a 'take-it-or-leave-it' attitude; (iv) clear roles and responsibilities; (v) market position; (vi) superior brands; (vii) goal congruence; (viii) superior expertise linked to CM; and (ix) superior consumer knowledge. There were thus statistically significant differences on two composite variables—referent power and expert power. However, as can be seen in Table 3, the actual differences in the mean scores between the Finnish and Swedish suppliers with respect to most variables were not great.

It is thus apparent that, according to both Finnish and Swedish suppliers, the most important origins of control over CM were non-coercive in nature. Items related to expert power (CM capabilities and consumer knowledge) and items related to referent power (superior brands and goal congruence) were perceived to be the most important in both countries—although the Finnish suppliers considered these power bases to be slightly more important than did Swedish suppliers. Issues related to legitimate power (contracts, proper division of roles and responsibilities, and strong market position) were also perceived to be relatively important origins of control by both Finnish and Swedish suppliers. Reward power (competitive prices, superior discounts, terms of trade and payment, financial support, and incentives) was perceived as being a less important source of control by both Finnish and Swedish respondents; however, there was a difference between larger and smaller suppliers—in that third-largest (or smaller) suppliers attached greater importance to reward power bases than did market leaders or second-largest suppliers. Coercive power (a 'take-it-or-leave-it' attitude) was not important origin of control over CM tactics in either country.

As Table 3 shows, the ANOVA results regarding the Finnish suppliers' perceptions of the importance of various sources of power in CM decision-making showed statistically significant differences for coercive power (F = 3.36, p = 0.039), legitimate power (F = 7.99, p = 0.001), referent power (F = 9.75, p = 0.000), and expert power (F = 6.13, p = 0.003). Individual differences among the three respondent groups—market leaders, second-largest suppliers and third-largest (or smaller) suppliers—were tested for significance using the Scheffé method. The ANOVA results linked to the *Finnish suppliers* presented in Table 3, supplemented with *post hoc* comparisons, are summarised below:

* With respect to *coercive power* (measured as a single item), the Scheffé test showed no statistically significant differences among respondents from market-leader companies, second-largest companies, and third-largest (or smaller) companies.
* With respect to *reward power* as a composite variable, the Scheffé test showed no statistically significant differences among market-leader companies, second-largest companies, and third-largest (or smaller) companies. With respect to single items of reward power, respondents from the third-largest (or smaller) companies (mean score 3.50) perceived the importance of superior financial support as significantly more important (p = 0.05) than did respondents from market-leader companies (mean score 2.74) and second-largest companies (mean score 2.14); however, the Scheffé method revealed no statistically significant difference between market-leader companies and the second-largest companies.
* With respect to *legitimate power*, respondents representing market-leader companies (mean score 3.58) and second-largest companies (mean score 3.54) perceived legitimate power to be significantly more important (p = 0.05) than did respondents from the third-largest (or smaller) companies (mean score 2.89); however, the Scheffé method revealed no statistically significant difference between market leaders and second-largest companies.
* With respect to *referent power*, respondents representing market-leader companies (mean score 4.22) and second-largest companies (mean score 4.40) perceived referent power to be significantly more important (p = 0.05) than did respondents from the third-largest (or smaller) companies (mean score 3.43); however, the Scheffé method indicated no statistically significant difference between the market leaders and the second-largest companies.
* With respect to *expert power*, respondents representing market-leader companies (mean score 4.35) and second-largest companies (mean score 4.57) perceived expert power to be statistically more significant (p = 0.05) than did respondents the third-largest (or smaller) companies (mean score 3.73); however, the Scheffé test showed no statistically significant difference between the market leaders and the second-largest companies.

As can be seen in Table 3, the ANOVA results regarding *Swedish* suppliers' perceptions of the importance of various sources of power in CM decision-making showed statistically significant differences only for legitimate power (F = 3.35; p = 0.038). Individual differences among the three respondent groups—market leaders, second-largest suppliers, and third-largest (or smaller) suppliers—were tested for significance using the Scheffé method. The ANOVA results linked to the *Swedish* suppliers presented in Table 3, supplemented with *post hoc* comparisons, are summarised below:

* With respect to *legitimate power* as a composite variable, the Scheffé test showed no statistically significant differences among the respondents representing market-leader companies, second-largest companies, and third-largest (or smaller) companies.
* In terms of individual items in all composite variables of sources of power, a statistically significant difference was found among Swedish suppliers in only one item (of thirteen). The Scheffé test indicated that 'market position' was considered to be a significantly more important base of power ($p = 0.05$) by market leaders (mean score 3.56) than by second-largest companies (mean score 3.37) and third-largest (or smaller) companies (mean score 3.43); however, the actual differences in the mean scores among the market leaders, second-largest suppliers, and third-largest (or smaller) suppliers were not great.

5. Conclusions and implications

The present study was designed to: (i) describe and measure the ability of Finnish and Swedish suppliers to control category management (CM) tactics; and (ii) explain the origins of this control. These issues are of topical interest because Finnish and Swedish retailers have worked themselves into a position of dominance in contemporary distribution channels as a result of massive concentration and centralisation of retail outlets.

The present study has revealed that Finnish and Swedish suppliers perceived that retailers were clearly in charge of CM tactics; however, suppliers did seem to retain some possible avenues of control over CM decision-making. Both Finnish and Swedish suppliers apparently had most influence over in-store promotions and least influence over pricing.

In terms of the *extent of power*, the market position of Finnish suppliers appears to have been significant, whereas, in the Swedish context, the suppliers' market position did not seem to affect the extent of control. In terms of *weight of power*, Finnish market leaders and second-largest suppliers (in terms of market share) apparently possessed significant control of decision-making concerning CM tactics, whereas, in the Swedish data, a statistically significant relationship between a company's market position and its weight of control in CM decision-making could not be found. The difference between Finnish and Swedish suppliers with respect to weight of control might be due to cultural differences in supplier–retailer relationships between Finland and Sweden. In more consensus-seeking Sweden, retailers are likely to conduct CM cooperatively with several suppliers for each category; in contrast, Finnish retailers usually build their CM activities on so-called 'category captain' arrangements, whereby market-leader suppliers are likely to take significant responsibility for formal CM decision-making (Desrochers et al., 2003). However, further studies are needed to shed more light on these issues.

With regard to the *origins of control*, both Finnish and Swedish suppliers considered that this was mostly non-coercive in nature. This finding is, to some extent, in accordance with the results of other studies (Kurnia and Johnston, 2003; Dupre & Gruen, 2004). The most important origins of power in the present study, according to both Finnish and Swedish suppliers, were perceived to be expertise (CM capabilities, consumer knowledge, and market information) and referent-related resources (superior brand and goal congruence). It would thus seem that suppliers might be able to control retailers' CM tactics indirectly (at least to some extent) by using expert and referent power. For example, suppliers could aim to understand consumer needs more thoroughly and to become more flexible with respect to marketing activities. They should thus aim to achieve their own objectives while also helping retailers to achieve theirs. Brand-related capabilities seemed to be a central non-coercive power base in increasing suppliers' control over CM decision-making.

In terms of the *size of firms*, the present study has revealed that small suppliers usually possess weak or moderate control over CM decision-making. The results indicate that, as CM becomes an institutionalised business process within supply chains, smaller suppliers have little choice but to accept that their brands will be managed by their competitors. These results to some extent reflect one of the major presumed drawbacks of CM—that CM activity might pose a threat to smaller suppliers. As Varley (2001) has observed, forcing smaller suppliers out of a given category under CM arrangements enhances the feudal nature of retailing—in that major retailers and suppliers manage a category for their own purposes. As other studies have noted, if retailers collaborate with a few strong suppliers, this can lead to a lack of objectivity and overall dilution of quality in the CM process (Dewsnap & Hart, 2004; Gruen & Shah, 2000). In this regard, Desrochers et al. (2003) have stated that the primary concern in such arrangements is that strong suppliers (so-called 'category captains') can control outcomes in particular categories, receive preferential treatment, and exclude competitors from having input. According to these authors, suppliers with dominating roles in CM collaboration can disadvantage competitors through advance knowledge of the pricing, merchandising, and promotional strategies of competitors—and by working to gain an advantage for their own products. This kind of CM activity is far from the ideal 'win-win-win' collaboration that is envisaged, in which all parties—retailers, suppliers, and consumers—benefit from CM arrangements (Desrochers et al., 2003; Gruen & Shah, 2000; Kurtulus & Toktay, 2004).

The key question for smaller suppliers is whether they can trust retailers and larger suppliers to act in a fair and objective manner in making decisions concerning CM tactics on the basis of consumer needs—rather than on the basis of their own short-term self-interests. It is also crucial for retailers to understand that it is extremely risky to be dependent on only a few large suppliers. As Dupre and Gruen (2004) have argued, an exclusive CM relationship with one large supplier can weaken relationships with other suppliers. This can decrease a retailer's capacity to combine the expertise of several suppliers in producing value for consumers. In terms of public policy-making, the ability of large suppliers to dominate CM decision-making should be taken into account in developing fair competition policies.

As with all studies, the present research has certain acknowledged limitations, which point the way towards potentially fruitful avenues of research. First, this study approached the question of CM power from the perspective of manufacturing organisations, and it is acknowledged that the perspectives of other actors (especially retailers) were not explored. Future research could therefore study these phenomena from the retailers' perspective, or from a dyadic perspective (incorporating the views of both suppliers and retailers).

Secondly, given that the present study focused on a rather limited geographical area (Finland and Sweden), it would also be interesting to conduct comparative studies in other national settings—especially in contexts in which the retail and business arrangements are different from those of northern Europe.

Finally, there is a need to create a comprehensive framework of CM tactics and power that takes into account contextual factors and the structural characteristics of supplier–retailer relationships. In-depth qualitative research would be useful for systematic development of hypotheses and multi-item scales for use in subsequent deductive research. In addition to interpreting attitudinal data and managers' subjective perceptions collected in surveys, researchers could also gather and interpret hard data (from retailers' databases) on the sales, prices, costs, and profits that result from CM. This would enable a more objective assessment of CM.

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Table 1: Suppliers' perceptions of weight of control possessed by retailers, large suppliers, and small suppliers

FINLAND

	The weight of control possessed by retailers[a] (n= 90)	The weight of control possessed by large suppliers[b] (n= 90)	The weight of control possessed by small suppliers[c] (n= 89)
Weak	3.3 %	11.1 %	91.0 %
Moderate	2.2 %	21.1 %	6.8 %
Strong	94.5 %	67.8 %	2.2 %
Total	100.0 %	100.0 %	100.0 %

SWEDEN

	The weight of control possessed by retailers[a] (n= 115)	The weight of control possessed by large suppliers[b] (n= 116)	The weight of control possessed by small suppliers[c] (n= 116)
Weak	9.6 %	10.3 %	81.9 %
Moderate	9.6 %	28.4 %	15.5 %
Strong	80.8 %	61.3 %	2.6 %
Total	100.0 %	100.0 %	100.0 %

[a]p-value (chi-square) between the Finnish and the Swedish suppliers .016
[b]p-value (chi-square) between the Finnish and the Swedish suppliers .484
[c]p-value (chi-square) between the Finnish and the Swedish suppliers .148

Table 2: Supplier's perceptions of their scope of control with respect to CM tactics

FINLAND[a]

	Group means[b]					
	Market leaders n = 46	Second largest suppliers n = 21	Third largest or smaller suppliers n = 22	Total n = 89	F	p-value
Assortment planning	3.46 (.78)	3.05 (1.02)	2.50 (.96)	3.12 (.96)	8.73	.000
Pricing	2.50 (1.03)	3.00 (1.10)	2.45 (1.22)	2.61 (1.10)	1.79	.173
Promotional activity	3.59 (.96)	3.24 (1.22)	2.68 (1.17)	3.28 (1.04)	5.28	.007
Space allocation	3.28 (.91)	2.81 (1.29)	2.23 (1.15)	2.91 (1.14)	7.36	.001

SWEDEN[a]

	Group means[b]					
	Market leaders n = 62	Second largest suppliers n = 30	Third largest or smaller suppliers n = 23	Total n = 115	F	p-value
Assortment planning	3.16 (1.12)	2.86 (1.03)	2.70 (1.02)	2.99 (1.09)	1.85	.162
Pricing	2.50 (1.02)	2.23 (1.01)	2.22 (1.09)	2.37 (1.03)	1.01	.368
Promotional activity	3.21 (1.04)	3.10 (.96)	3.09 (1.08)	3.16 (1.02)	.18	.835
Space allocation	3.10 (1.07)	3.07 (.98)	2.95 (1.09)	3.06 (1.04)	.15	.861

[a]Managers' perceptions were measured on the following scale: 1=extremely weak, 2=weak, 3=moderate, 4=strong, 5=extremely strong
[b]Figures in parentheses are standard deviations

Table 3: Suppliers' perceptions of the importance of various sources of power in CM decision-making

FINLAND[a]

	Group means[b]					
	Market leaders n = 46	Second largest suppliers n = 21	Third largest or smaller suppliers n = 22	Total n = 89	F	p-value
Coercive power	**1.46 (.96)**	**1.43 (1.03)**	**2.18 (1.56)**	**1.63 (1.18)**	**3.36**	**.039**
A 'take it or leave it' attitude	1.46 (.96)	1.43 (1.03)	2.18 (1.56)	1.62 (1.18)	3.36	.039
Reward power	**2.43 (.86)**	**2.21 (.77)**	**2.83 (1.08)**	**2.48 (.92)**	**2.65**	**.076**
Competitive prices	2.17 (.93)	2.19 (.81)	2.73 (1.55)	2.31 (1.10)	2.10	.129
Superior discounts	2.35 (1.08)	2.10 (1.00)	2.91 (1.31)	2.43 (1.15)	3.07	.052
Fair terms of trade and	2.39 (.91)	2.29 (1.10)	2.55 (1.18)	2.40 (1.02)	.35	.705
payment	2.74 (1.24)	2.14 (.79)	3.50 (1.30)	2.79 (1.25)	7.36	.001
Superior financial support	2.52 (1.13)	2.38 (1.02)	2.50 (1.34)	2.48 (1.15)	.11	.897
Incentive system						
Legitimate power	**3.58 (.66)**	**3.54 (.56)**	**2.89 (.83)**	**3.40 (.74)**	**7.99**	**.001**
Formal contracts	3.04 (.97)	2.90 (1.09)	2.64 (1.22)	2.91 (1.06)	1.10	.339
Clear roles and responsibilities	4.04 (.92)	4.05 (.81)	3.09 (.87)	3.81 (.96)	9.72	.000
Market position	3.65 (.90)	3.67 (1.02)	2.95 (1.13)	3.48 (1.02)	4.18	.019
Referent power	**4.22 (.77)**	**4.40 (.64)**	**3.43 (.95)**	**4.07 (.87)**	**9.75**	**.000**
Superior brands	4.22 (.96)	4.62 (.81)	3.59 (1.33)	4.16 (1.09)	5.46	.006
Goal congruence	4.22 (.87)	4.19 (.98)	3.27 (.94)	3.98 (.99)	8.75	.000
Expert power	**4.35 (.74)**	**4.57 (.82)**	**3.73 (1.02)**	**4.25 (.89)**	**6.13**	**.003**
Superior expertise linked to	4.28 (.83)	4.48 (.81)	3.55 (1.06)	4.15 (.95)	7.01	.002
CM	4.41 (.78)	4.67 (.91)	3.91 (1.11)	4.35 (.93)	4.05	.021
Superior consumer knowledge						

SWEDEN[a]

	Group means[b]					
	Market leaders n = 63	Second largest suppliers n = 30	Third largest or smaller suppliers n = 23	Total n = 116	F	p-value
Coercive power	**2.20 (1.17)**	**1.89 (1.10)**	**2.52 (1.54)**	**2.19 (1.24)**	**1.59**	**.209**
A 'take it or leave it' attitude	2.20 (1.17)	1.89 (1.10)	2.52 (1.54)	2.19 (1.24)	1.59	.209
Reward power	**2.73 (.81)**	**2.75 (.71)**	**3.03 (.70)**	**2.79 (.77)**	**1.35**	**.264**
Competitive prices	2.60 (1.14)	3.00 (1.08)	3.04 (.77)	2.79 (1.07)	2.28	.107
Superior discounts	3.03 (1.19)	3.07 (1.11)	3.39 (1.03)	3.11 (1.14)	.87	.423
Fair terms of trade and	2.56 (1.02)	2.57 (.90)	2.70 (1.40)	2.59 (1.07)	.14	.873
payment	3.02 (1.04)	3.03 (1.22)	3.52 (.95)	3.12 (1.08)	2.01	.138
Superior financial support	2.41 (1.04)	2.10 (1.00)	2.48 (1.12)	2.34 (1.05)	1.14	.323
Incentive system						
Legitimate power	**3.56 (.61)**	**3.19 (.81)**	**3.23 (.87)**	**3.40 (.74)**	**3.35**	**.038**
Formal contracts	3.22 (1.05)	3.03 (1.13)	3.17 (1.19)	3.16 (1.10)	.30	.741
Clear roles and responsibilities	3.37 (1.04)	3.21 (.91)	3.09 (.67)	3.27 (.95)	.83	.440
Market position	4.05 (.73)	3.37 (.85)	3.43 (1.27)	3.75 (.94)	7.75	.001
Referent power	**3.80 (.79)**	**3.65 (.88)**	**3.54 (.74)**	**3.71 (.81)**	**.98**	**.378**
Superior brands	4.25 (.76)	4.10 (.82)	4.13 (.92)	4.19 (.81)	.43	.654
Goal congruence	3.35 (1.15)	3.27 (1.17)	2.96 (1.02)	3.25 (1.13)	1.02	.365
Expert power	**3.87 (.89)**	**3.87 (.91)**	**3.80 (.88)**	**3.85 (.88)**	**.04**	**.957**
Superior expertise linked to	3.62 (1.02)	3.70 (.95)	3.55 (1.01)	3.63 (1.00)	.15	.857
CM	4.11 (.86)	4.10 (.98)	4.04 (.88)	4.10 (.89)	.05	.952
Superior consumer knowledge						

[a]Managers' perceptions were measured on the following scale: 1=not important at all, 2=to a lesser extent important,

3=to some extent important, 4=important, 5=extremely important
[b]Figures in parentheses are standard deviations